

## National Electricity Market remains tightly balanced

AEMO's 2017 Electricity Statement of Opportunities (ESOO) released today confirms the need for additional investments and new approaches to ensure AEMO has a reliable portfolio of dispatchable energy resources capable of responding quickly and effectively to the dynamic needs of the power system.

Australia's energy system is undergoing unprecedented transformation. Evidence of these radical transformations can be seen in the portfolio of supply resources in the NEM over the last decade. Since 2014, new supply resources entering the National Electricity Market (NEM) have been predominantly renewables.

AEMO's ESOO modelling shows reserves have reduced to the extent that there is a heightened risk of significant unserved energy (USE) over the next 10 years, compared with recent levels.

Targeted actions, such as the pursuit of 1000 megawatts (MW) of strategic reserves across Victoria and South Australia, as well as through an innovative program of demand response with ARENA, are necessary to provide additional firming capability to reduce risks of supply interruptions.

"As the independent market and system operator, AEMO's primary role is to maintain system balance. It is the physics of the power system that define the requirements for balance and it's our role to ensure that the resource is able to meet the demands of the system at a time and at a location where it is necessary," said Managing Director and Chief Executive Officer Ms Audrey Zibelman.

"The power system does not have the reserves it once had, and therefore to balance peak summer demand in real time, targeted actions to provide additional firming capability are necessary to reduce heightened risks to supply," said Ms Zibelman.

AEMO is indifferent to what fuels or technology resources are utilised. Firming capability can be dispatched to maintain balance on the power grid, and can include generation on the grid, storage, demand resources behind the meter, flexible demand, or flexible network capability.

"The challenges and transformation we are seeing are similar to those faced by other countries around the world. In the European, Asian and United States markets, it is increasingly recognised that changes in market design to retain and incentivise appropriate levels of investment in system security and reliability are required," Ms Zibelman said.

"Affordable, secure energy for all Australians remains our goal, and AEMO is committed to continually reviewing global practices working with the Commonwealth and States, and through appropriate consultative processes to produce considered recommendations that can be adopted by the Energy Security Board and the COAG Energy Council," Ms Zibelman said.

**ENDS**

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**About AEMO**

*AEMO is responsible for operating Australia's largest gas and electricity markets and power systems, including the National Electricity Market and interconnected power system in Australia's eastern and south-eastern seaboard, and the Wholesale Electricity Market and power system in Western Australia.*

*AEMO also operates the Victorian Declared Wholesale Gas Market and the Victorian gas transmission system; the wholesale gas Short Term Trading Market hubs in Adelaide, Sydney and Brisbane; the Wallumbilla Gas Supply Hub in Queensland; and the Moomba Gas Supply Hub in South Australia.*

*As Australia's independent energy markets and power systems operator, AEMO provides critical planning, forecasting and power systems security advice and services to deliver energy security for all Australians. For more information, head to [www.aemo.com.au](http://www.aemo.com.au)*